

Approved: March 2, 2012

(Date)

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 AM on Wednesday, February 8, 2012 in 548-S of the Capitol.

All members were present.

Committee staff present:

Jan Lunn, Committee Assistant
Melinda Gaul, Chief of Staff, Senator McGinn's Office
Eli Johns, Intern, Senator McGinn's Office
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Michael Steiner, Senior Analyst, Legislative Research Department
Bobbi Mariani, Fiscal Analyst, Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes

Conferees appearing before the Committee:

Bernie Koch, Kansas Economic Progress Council

Others in attendance:

See attached list.

Bill introductions

Senator Schodorf moved introduction of a bill, 12rs1969, concerning mammography examinations; Senator Schmidt seconded the motion which passed on a voice vote.

Department of Labor Subcommittee Report:

Senator Masterson reported the Subcommittee concurred with the Governor's recommendation for fiscal year 2012; the Subcommittee concurred with the FY 2013 Governor's recommendation with the following notation (Attachment 1):

- Questions and concerns were raised concerning the reduction in salaries and wages funding due to the Voluntary Retirement Incentive Program, since the agency was given permission to fill the vacated positions. The Subcommittee understood there would be a Governor's Budget Amendment (GBA) issued to modify the expenditure reduction; at this time, however, the amount or meaning of the modification is unknown.

Senator Masterson moved to adopt the FY 2012 and FY 2013 Subcommittee report; Senator Teichman seconded the motion, which passed on a voice vote.

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Subcommittee Report on Kansas Commission on Veterans' Affairs:

Senator Taddiken reviewed the Subcommittee's recommendation for the FY 2012 budget (Attachment 3), which concurred with the Governor's recommendation including the following adjustments:

- Add \$20,000, from special revenue funds, for a replacement vehicle; the vehicle currently being used has exceeded the state government threshold of 200,000 miles.
- Add \$21,404, all from the VA Burial Reimbursement Federal Fund, to increase the cemetery plot allowance in FY 2012 from \$80,538 to \$101,942.
- Add \$531,774, from special revenue funds, at the Kansas Veterans' Home to expend Medicare and Medicaid funds for resident services within current facilities in FY 2012.
- Add \$623,592, from special revenue funds, at the Kansas Soldiers' Home to expend Medicare and Medicaid funds for resident services within current facilities in FY 2012.
- Encourage the agency to transfer \$32,732, from the SGF, in the Kansas Veterans' Home (\$16,336) and Kansas Soldiers' Home (\$16,366) to the Veterans' Claims Assistance Program in FY 2012. In 2011, HB 2014 (appropriations bill) added language that provides authority to the executive director to shift SGF funding between lines of appropriation.

A committee member requested clarification on bullet points 3 and 4. Senator Taddiken explained those points refer to granting the agency authority to increase its expenditure limit, not adding additional funds. It was suggested that the language be revised to better describe the intent. A committee member requested that language be revised concerning the replacement vehicle referenced in bullet point one.

Discussion and commendation was heard on the Commission's effort to draw down additional Medicaid and Medicare dollars for eligible veterans; a committee member inquired whether SGF dollars could be reduced in light of the federal Medicaid/Medicare revenue stream. Marshall Kennedy, Budget Director of the Kansas Commission on Veterans' Affairs, responded that SGF spending had been reduced (since 2008) in anticipation of the receipt of these Medicaid/Medicare dollars. The recommendation (bullet points 3 and 4) relates to a higher census service for existing veterans in those facilities. A committee member requested an additional bullet point be added concerning the ability of the Veterans' Home and Soldiers' Home facilities to care for more veterans.

There was no response to a question concerning the number of women veterans who take advantage of the services and dollars through the Kansas Commission on Veterans' Affairs. Senator Taddiken commented that the Veterans' Home and Soldiers' Home provided

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services to male veterans; it was suggested that a philosophical change be considered relating to services for women veterans.

Senator Taddiken reported on the Subcommittee's FY 2013 report, which included concurring with the Governor's recommendation for FY 2013, and the following adjustments:

- Add \$45,000, from special revenue funds, for a replacement resident transport vehicle.
- Reflect support of the agency's request of \$108,886 for the Veterans' Claims Assistance Program for FY 2013 and encourage the agency to fund the request within existing resources.
- Note the U. S. Army Command and General Staff College at Fort Leavenworth is in the process of developing a methodology for studying the delivery of veterans' services, veterans' benefits, and possible additional benefits the state could provide to Kansas veterans.

Senator Taddiken moved to adopt the Kansas Commission on Veterans' Affairs Subcommittee Report for FY 2012 and FY 2013 and to allow the staff latitude to make the technical amendments and adjustments previously discussed; the motion was seconded by Senator Kelly. The motion passed on a voice vote.

Bernie Koch, from the Kansas Economic Progress Council, was present to discuss a recently released study concerning the economic impact of tax reductions and the resulting state spending cuts. The study was authored by Dr. John Wong and considered House Substitute for SB 1, which passed through the House during the 2011 legislative session. (Attachment 2) The complete report can be found at: <http://ksepc.org/wp-content/uploads/2012/02/Economic-Impact-tax-reductions-KEPC-Study.pdf>

Mr. Koch discussed the objective of the study and methodologies used to assess the effects of proposed tax reductions. He commented on the five areas of state government on which most economists agree influence economic growth: investment rate in plant and equipment, human capital and the efficiency of labor, technological innovation and improvement, reliable legal systems, and public policy that supports economic freedom. Mr. Koch reported on Dr. Wong's conclusions from the study as follows:

- For every job created by a reduction in income tax rates, 1.63 jobs would be lost by an equal reduction in state spending.
- For every dollar of labor income generated by a reduction in income tax rates, \$1.78 would be lost by an equal reduction in state spending.
- For every dollar of value added generated by a reduction income tax rates, \$1.34 would be lost by an equal reduction in state spending.

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- For every dollar of total output generated by a reduction in income taxes, \$1.09 would be lost by an equal reduction in state spending.

A committee member expressed concern with the assumptions used in the study. Mr. Koch confirmed the assumption used is that when income tax reductions are made an equal reduction in government spending occurs. Discussion was heard concerning the assumptions as well as regional economic activity associated with government and the resulting regional shift in money.

Mr. Koch confirmed nothing in the study addresses the potential of tax shifts, such as raising property or sales taxes, to compensate local governments for the loss of revenue from income tax reductions. In addition, Mr. Koch commented that, in some states without an income tax, the majority of taxes are paid by businesses with the highest tax burden appearing to be borne by the agriculture industry in the form of property taxes. Mr. Koch confirmed there was nothing included in the study that investigated the potential of intrastate migration of wealth away from the state to bordering states with no personal income tax rates. In addition, there is nothing within the study concerning the relationship of the government's ability to spend under a different structure.

Possible final action on **SB 311–Supplemental appropriations for FY 2012 and FY 2013 for various state agencies**

Senator Vratil moved to amend SB 311 to establish a capital litigation training grant fund for the Board of Indigent Defense Services; Senator Umbarger seconded the motion, which passed on a voice vote.

Senator McGinn commented that the staff had distributed a handout, "Comparison of FY 2012-FY 2013 Recommended Expenditures – Governor's Recommendation and Senate Committee Recommendation," which described Senate Ways and Means action on **SB 311** as of February 7, 2012. (Attachment 4)

A committee member commented that an additional GBA could be offered, which would allow the addition of positions in the Department of Administration recommended but inadvertently excluded from the budget. Elaine Frisbee, Deputy Director, Division of the Budget, confirmed a GBA is in process related to voluntary retirement adjustments.

*Senator Vratil moved that the committee recommend **SB 311**, as amended, favorably for passage with authority for the staff to make technical adjustments; Senator Kelly seconded the motion, which passed on a roll call vote.*

The meeting was adjourned at 11:48 a.m.